

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 ADP-00 STR-08 AGR-20 INT-08 SS-15 L-03

NSC-10 CIAE-00 INR-10 NSAE-00 RSC-01 COME-00 TRSE-00

H-03 GSA-01 OEP-01 CIEP-02 OMB-01 CEA-02 PRS-01

USIA-15 TAR-02 /140 R

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P 252209Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY MADRID PRIORITY

USMISSION GENEVA

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E.O. 11652 : N/A

TAGS : ETRD, SP

SUBJECT : MERCURY STOCKPILE DISPOSALS AND SOYBEAN EXPORT
RESTRICTIONS

REF : (A) MADRID 41171 (B) STATE 078689(NOTAL)

(C) STATE 126473, 129581, 129683, 129840, AND 131357

GENEVA PLEASE PASS IMMEDIATELY TO MALMGREN AND RENNER

1. FOLLOWING INFO PROVIDED IN RESPONSE REFTEL (A).

2. MERCURY STOCKPILE DISPOSALS : IN A NOTE TO THE SPANISH
EMBASSY THE DEPARTMENT EXPLAINED THAT IN THE DRAFT
STOCKPILE DISPOSAL LEGISLATION SUBMITTED TO CONGRESS ON
APRIL 16, 1973 AUTHORIZATION IS BEING REQUESTED BY THE
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ADMINISTRATION TO DISPOSE OF 157,400 FLASKS OF MERCURY.

NO HEARINGS HAVE BEEN HELD ON THE BILL AS YET.
(FYI : THE U.S. INDUSTRY SEEMS CERTAIN TO OPPOSE THE
MERCURY DISPOSAL FYI.) WHEN THE CONGRESS PASSES THE
LEGISLATION ALLOWING THE DISPOSAL OF THE MERCURY, THE
DEPARTMENT OF STATE WILL CONSULT WITH THE EMBASSY OF SPAIN
ON THE DISPOSAL. AT PRESENT GSA IS DISPOSING OF MERCURY
TRANSFERRED FROM AEC INVENTORY. DURING FY73 PROPOSED
RATE OF DISPOSAL WAS 500 FLASKS PER MONTH BUT ACTUAL SALES
FOR FY73 WERE 1,563. GSA HAD PROPOSED SALES OF 1000
FLASKS PER MONTH FOR FY74, BUT DURING JULY SOLD ONLY 500
FLASKS. GSA HAS ONLY 5,648 FLASKS REMAINING WHICH IT MAY
DISPOSE OF. U.S. POLICY IN STOCKPILE DISPOSALS IS NOT TO
UNDERCUT THE MARKET.

3. SOYBEAN EXPORT RESTRICTIONS : REFTELS (C), ALL OF WHICH
SENT MADRID AND GENEVA, PROVIDE CURRENT INFORMATION AND
BACKGROUND ON THIS MATTER. THE FOLLOWING SUGGESTED
TALKING POINTS MAY BE USEFUL IN DISCUSSING THIS MATTER
WITH THE SPANISH.

--US EXPORT CONTROLS WERE MADE NECESSARY BECAUSE OF A
WORLD-WIDE FOOD SHORTAGE WHICH, COMBINED WITH UNUSUALLY
HEAVY DEMAND, HAS DRIVEN UP U.S. WHOLESALE PRICES OF THESE
COMMODITIES TO LEVELS WHICH ARE INCOMPATIBLE WITH
REASONABLE RETAIL PRICES FOR SUCH FOOD ITEMS AS MILK,
MEAT AND POULTRY.

--THIS SITUATION HAS COME ABOUT IN SPITE OF THE FACT
THAT THE U.S. HAD ONE OF ITS BEST AGRICULTURAL YEARS IN
1972. MAJOR FACTORS AFFECTING THE WORLD-WIDE SHORTAGE
WERE CROP FAILURES IN EASTERN EUROPE, ASIA AND AUSTRALIA,
PLUS THE DISAPPEARANCE OF SOURCES OF FISHMEAL OFF THE
COAST OF SOUTH AMERICA.

--THIS YEAR WE EXPECT THE LARGEST ONE-YEAR INCREASE IN
CROP PRODUCTION IN U.S. HISTORY. SHOULD OUR PRESENT
EXPECTATIONS ON PRODUCTION BE FULFILLED, WE EXPECT, AS
THE PRESIDENT STATED ON JULY 18, THAT EXPORT CONTROLS
WILL NOT BE NEEDED FOR THE NEW CROP YEAR.

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--WE BELIEVE THE BEST WAY TO COPE WITH THIS NEW
SITUATION IN WORLD DEMAND IS TO ABANDON POLICIES AND
INSTITUTIONS BASED ON THE IDEA OF NATIONAL SELF-SUFFICIENCY
AND PERMANENT SURPLUSES AND TO PUT IN THEIR PLACE
INCENTIVE SYSTEMS THAT WILL MAXIMIZE AGRICULTURAL
PRODUCTION AND PRODUCTIVITY. THE PRESENT WORLD FOOD
SITUATION HAS STRENGTHENED OUR CONVICTION THAT THE ONLY
EFFECTIVE WAY TO MEET THE CHALLENGE OF THE INCREASING

WORLD DEMAND FOR FOOD IS THROUGH A FREER WORLD TRADING SYSTEM AND THAT THE MULTINATIONAL TRADE NEGOTIATIONS REMAIN THE BEST HOPE FOR OBTAINING THIS OBJECTIVE.

--REGARDING THE ISSUE OF CONTRACTS AND THE U.S. GOVERNMENT REQUIREMENT THAT IMPORTERS SUBMIT A STATEMENT THAT THEY WILL ACCEPT PARTIAL SHIPMENTS, ONE OF THE REASONS THIS STATEMENT IS BEING REQUIRED IS TO PROTECT FOREIGN MARKETS BY INSURING THAT SHIPMENTS WHICH ARE BEING PERMITTED WILL ACTUALLY GO TO THEIR ORIGINALLY-INTENDED DESTINATIONS.

4. IN A NOTE TO THE DEPARTMENT, THE SPANISH EMBASSY POINTED OUT THAT SPAIN IS THE FOURTH LARGEST IMPORTER OF U.S. SOYBEANS AND THAT ITS CRUSHING INDUSTRY IS 100 PERCENT DEPENDENT ON U.S. DELIVERIES. THE NOTE ASKED THAT CONSIDERATION BE GIVEN TO ALLOWING SPAIN SOYBEAN SHIPMENTS WHICH WOULD CORRESPOND TO THE PURCHASES WHICH IT HAS TRADITIONALLY MADE OF THESE PRODUCTS IN THE U.S. (FYI: THIS REQUEST SUGGESTS, AS WE HAVE SOME REASON TO BELIEVE, THAT SPAIN HAS A VERY LOW LEVEL OF OUTSTANDING EXPORT CONTRACTS IN COMPARISON WITH OTHER MAJOR IMPORTERS OF U.S. SOYBEANS.) ROGERS

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